UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/AC.237/71
8 August 1994

Original: ENGLISH

INTERGOVERNMENTAL NEGOTIATING COMMITTEE
FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE
Tenth session
Geneva, 22 August - 2 September 1994
Item 4 (a) of the provisional agenda

MATTERS RELATING TO ARRANGEMENTS FOR THE FINANCIAL MECHANISM AND FOR TECHNICAL AND FINANCIAL SUPPORT TO DEVELOPING COUNTRY PARTIES

IMPLEMENTATION OF ARTICLE 11 (FINANCIAL MECHANISM), PARAS. 1-4

Relevant activities outside the financial mechanism: consistency with Convention policies

Note by the interim secretariat

CONTENTS

		Paragraphs	Page
I.	INTRODUCTION	1 - 3	3
A.	Committee mandate	1	3
B.	Scope of the note	2	3
C.	Possible action by the Committee	3	3

GE.94 -63582

		Paragraphs	Page
II.	SEEKING AND MAINTAINING CONSISTENCY	4 - 28	4
	A. Background	4 - 5	4
	B. Defining relevance and consistency	6 - 9	5
	C. Seeking and maintaining consistency	10 - 28	6

I. INTRODUCTION

A. Committee mandate

1. The Committee, at its ninth session, requested the interim secretariat to prepare a report on the question of how, in implementing Article 11 of the Convention, consistency might be sought and maintained between activities relevant to climate change undertaken outside the framework of the financial mechanism and the policies, programme priorities and eligibility criteria for relevant activities established by the Conference of the Parties (COP) (see A/AC.237/55, para. 84 (b) (i)). The Committee decided that the issue of monitoring such consistency by the COP, including reporting modalities, would be further considered at its tenth session.

B. Scope of the note

2. The present note discusses how to define "relevance to climate change" and "consistency with guidance from the COP and with provisions of the Convention." It then suggests some ways and means to seek such consistency for activities implemented by the United Nations system, by multilateral financial institutions, through bilateral assistance and by the non-governmental sector.

C. Possible action by the Committee

3. The Committee may wish to consider recommending to the COP:

(a) How to deal with different levels of relevance to climate change and how to interpret consistency with guidance from the COP in specific cases;

(b) To make full use of existing coordination and monitoring processes within the United Nations system, including close collaboration with the Commission on Sustainable Development (CSD) and the Inter-Agency Commission on Sustainable Development (IACSD). An effective working relationship with relevant agencies should be developed within the context of these processes;

(c) To promote a process of consultations among multilateral development banks on their activities to seek consistency with guidance from the COP in order to

exchange information on criteria and standards in specific areas, so that a peer review process could be initiated;

(d) To invite the OECD to emphasize climate change issues in the review of development assistance by its members;

(e) To encourage major groups, as defined in Agenda 21, to support – either directly or through the CSD – climate change objectives in their own programmes, to report on their contributions to the implementation of the Convention, to assist in monitoring activities and to work towards increased awareness and responsiveness of their members with regard to climate change concerns;

(f) To encourage Parties to promote consistency of action within their governmental machinery and to include information thereon in their national communication;

(g) That it formulate guidance in terms that facilitate monitoring and assessment of results of activities within and outside the financial mechanism.

II. SEEKING AND MAINTAINING CONSISTENCY

A. Background

4. The concern for consistency of action between activities implemented outside the framework of the financial mechanism and guidance given by the COP for the operation of this mechanism may stem from the concern that results that can be achieved through a relatively small financial mechanism could be nullified if considerably larger financial flows – going to economic activities in developed countries and economies in transition or to development activities of developing countries – generate effects contrary to the objective pursued by the Convention. At present, resources available to the financial mechanism of the Convention are likely to be in the order of a quarter of a billion United States dollars a year for the initial period. Annual resources for official development assistance are over 200 times that amount.

5. The role of the financial mechanism is to provide additional funding to development finance in order to promote implementation of projects corresponding to commitments under the Convention. There are numerous opportunities for implementing

activities that would be consistent with the purposes of the financial mechanism but would be implemented without its financial intervention. These would be among "no regrets" or "win-win" activities, which could integrate climate change concerns without additional costs, or even with economic benefits. There is anecdotal evidence that such opportunities are often not seized so that concern for consistency of action is warranted and significant efforts for that purpose are justified.

B. Defining relevance and consistency

Relevance

6. Implementing the mandate recalled in paragraph 1 above requires the identification of which activities undertaken outside the framework of the financial mechanism are deemed relevant to climate change. It is generally accepted that a number of sectors of economic activity directly related to emissions and removals of greenhouse gases, or to ecosystems likely to be affected by climate change, can be considered relevant to climate change. This would include such sectors as the power sector, transportation, industry, agriculture, forestry, water supply and coastal zone management. In a longer-term perspective, however, other areas of human activity can also be viewed as relevant to climate change. For instance, scenarios for greenhouse gas emissions generally consider such variables as population growth, economic growth and consumption patterns. Such a broader-based approach implies that areas such as population policies, urban planning, macroeconomic policies, taxation, advertising, and education, to name a few, could also be considered relevant to climate change. In the broadest sense, the whole process of economic and social development is recognized by the Parties in the principles and commitments of the Convention to be relevant to climate change, including activities in both developed and developing countries. For the implementation of the above mandate, guidance will be needed on how to deal with various levels of relevance.

Consistency

7. Another issue regarding the implementation of the above mandate is that of defining a practical meaning of consistency with regard to various elements of guidance formulated by the intergovernmental process or to various provisions of the Convention. For instance, there would be a need to specify the meaning, for activities undertaken outside the framework of the financial mechanism, of consistency with eligibility criteria for countries or for activities undertaken within this framework. The compatibility of

such criteria with the operating rules and specialization of certain entities would need to be considered. The same would apply for programme priorities. For instance, it could be asked what an emphasis on capacity building and enabling activities would imply for entities specializing in investment finance.

8. Consistency with various individual provisions of the Convention, which is suggested by initial guidance developed by the Committee, poses similar problems. Consistency with the ultimate objective of the Convention as stated in Article 2 might involve emphasis on reducing net emissions. Consistency with the principles in Article 3 could have other implications. Consistency with the commitments in Article 4 could have different implications, as between countries that have made quantified mitigation commitments and others. The concern has been expressed that there are no simple criteria for deciding whether individual activities are or are not consistent with the Convention or with the guidance given by the COP. For instance, the implementation of a power project that is to generate substantial emissions of greenhouse gases could be consistent with the implementation of the Convention if this project is part of a lower emissions strategy for the country concerned. A given entity could even be specialized in the implementation or funding of such projects while contributing to the implementation of the Convention. Only consideration of national programmes would make it possible to evaluate activities against a baseline and thus to conclude whether such activities are or are not consistent with the implementation of the Convention.

9. A further issue is related to the circumstances in which activities are implemented outside the framework of the financial mechanism. Such activities may be implemented in developed countries, in economies in transition or in developing countries. They may be implemented by Governments, by the corporate private sector or by non-governmental organizations. They may be implemented with or without external support. From the point of view of the Parties, it will be especially important to achieve consistent approaches in activities involving international relations, such as those implemented by the United Nations system, the multilateral development banks, the bilateral aid process and major groups, as defined in Agenda 21, including those in the private sector. This note concentrates on these four important sets of actors.

C. Seeking and maintaining consistency

United Nations system

10. Activities implemented by agencies of the United Nations system that are relevant

to climate change are those relevant to sustainable development, as defined by the United Nations Conference on Environment and Development (UNCED) in its main output, Agenda 21. The Commission on Sustainable Development (CSD) was established in the United Nations in order to guide the implementation of Agenda 21 and to monitor progress made in such implementation. As discussed above, most elements of Agenda 21 are relevant to climate change to varying extents. In addition to chapter 9, on the protection of the atmosphere, other examples of relevant chapters are 4, 10, 11 and 14, on changing consumption patterns, on the planning and management of land resources, on combating deforestation and on promoting sustainable agriculture and rural development, respectively.

11. It will be recalled that some issues which are of a cross-cutting nature will be reviewed by the CSD annually; other subjects will be taken up in rotation every four years. An overall General Assembly review of progress in implementing Agenda 21 is scheduled for 1997 and will take place periodically thereafter. The CSD review process would therefore provide an important opportunity to the COP and its secretariat to monitor, and possibly influence, activities in relevant areas.

12. In the rotating reviews, chapter 9 of Agenda 21, on atmosphere will be taken up for the first time by the CSD in 1996. This chapter covers issues related to energy, transportation, industrial development and resource use, all of which are particularly relevant to climate change. As noted above, other chapters subject to rotating review by the CSD have significant relevance to climate change.

13. In relation to the CSD review process, the COP could aim at promoting the integration of climate change concerns into the development of policies and activities addressing other dimensions of sustainable development, as well as promoting harmonization between communication of information under the Convention and reporting to the CSD.

14. Regarding the latter two objectives, the IACSD, established as part of the machinery of the Administrative Committee on Coordination in order to coordinate the follow-up to the UNCED within the United Nations system, could play a useful role. The interim secretariat and, later, the permanent secretariat could participate, if the Committee so recommends, in the work of the IACSD and promote the achievement of the above objectives.

15. UNDP has a key role to play in the field of capacity building, which is taken up in chapter 37 of Agenda 21. The UNDP network of resident representatives work with

Governments as they identify priorities for using allocated funds. UNDP has initiated a Sustainable Development Network to make information on sustainable development available to decision makers. The Programme has also launched "Capacity 21" to increase funding for sustainable development planning at the national level and to increase assistance to Governments seeking to strengthen staff capability in key areas relevant to environmental issues. UNDP is one of the partners in the initiative to launch the Climate Convention cooperation programme (CC:COPE) (see A/AC.237/75). The UNDP also plays a central role in policy dialogue and can help generate support for climate change related issues. Further, it organizes round tables to help coordinate development activities for a number of countries and participates in the World Bank-led consultative groups (see paragraph 18 below).

Global Environment Facility

16. The issue of consistency applies only to those activities of the Global Environment Facility (GEF) that are not part of the operation of the financial mechanism. These include activities related to climate change that are not implemented in a developing county Party and activities in other focal areas. For the former, limiting eligibility to Parties to the Convention, as provided for by the GEF Instrument, is a factor of consistency. For the latter, the promotion of multipurpose projects combining, for instance, biodiversity and climate change objectives, could be a modality of consistency in action. In any event, provision for interaction between the GEF in its operation of the financial mechanism and the COP in providing policy guidance to those operations will ensure awareness on the part of the GEF bodies of Convention concerns.

Multilateral development banks

17. Multilateral development banks (which include the World Bank and the regional development banks) provide funding for a broad variety of development projects in developing countries and in countries with economies in transition. The volume of funding channelled through multilateral development banks make them substantial actors in the context of development activities of recipient countries and therefore in the implementation of Agenda 21 in these countries. It would be important for the implementation of the Convention if climate change concerns were taken into account in the design of projects funded through multilateral development banks. Sometimes, selecting options preferable from the point of view of climate change may involve costs that would necessitate partial funding through the financial mechanism, in accordance with Article 4.3.

18. With a very large volume of funding to developing countries and to countries undergoing the process of transition to a market economy, the World Bank plays a particularly significant role. The World Bank also provides staff work and leadership to many country consultative groups. Thus it will be especially important for the COP to establish an effective working relationship with the Bank and for the Bank to reflect policies adopted by the COP throughout its operations.

19. The multilateral development banks have long been on record as agreeing to the use of environmental impact analysis in their loan and grant processes. In addition to their individual policy statements, there is the 1980 Declaration of Environmental Policies and Procedures Related to Economic Development of the UNEP-led Committee of International Development Institutions on Environment. This group includes, in addition to development banks, major United Nations agencies, such as UNDP, the Food and Agriculture Organization, the International Fund for Agricultural Development and the World Food Programme which channel substantial funds.

20. Consistent with Article 7.2(h) and (l), the Committee may wish to consider promoting the convening of an initial meeting to bring together representatives of the Convention, the GEF and multilateral development banks in order to consider the ways in which they propose to contribute to the implementation of the Convention and to provide regular information on their efforts in this regard. Attention could be called to development issues of particular relevance to climate change and multilateral development banks could be invited to exchange information on the specific steps they have taken to improve the consistency of decisions with the guidance from the COP for the financial mechanism as well as on the criteria being used for such issues as energy efficiency, the use of cleaner energy sources and forestry activities. This could encourage the multilateral development banks to follow a peer review process which might generate cross-fertilization benefits.

Bilateral development assistance

21. Bilateral assistance is also provided to a broad spectrum of development projects in recipient countries. The volume of funding channelled bilaterally is more than double that of multilateral development finance so that its impact on the development activities of recipient countries is considerable. Most bilateral assistance is provided by members of the Organisation for Economic Co-operation and Development (OECD).

22. The Development Assistance Committee (DAC) of the OECD is the forum in which the development assistance policies of its members are discussed. The DAC and

the Environment Policy Committee of the OECD promote the development of policy on environmental matters, including the application of environmental impact analysis in assistance programmes. OECD policy in this area explicitly addresses impact on climate and atmosphere. The DAC has a Working Party on Development Assistance and Environment to consider environment-related issues in the assistance process.

23. The Committee may wish to recommend to the COP that it invite the OECD to emphasize climate change issues in its environment-related work on development assistance. The OECD participates as an observer in the CSD process and in the work of the Committee. In addition to that which relates to the implementation of Article 4.2 by its members, the OECD may be invited to provide information on the integration of climate change concerns into the development assistance provided by its members. Such information could be provided to the CSD in the context of consideration of chapter 9 of Agenda 21 or directly to the COP.

Major groups

24. The major groups can be defined to include all those covered in chapters 23-32 of Agenda 21. These include women, children and youth, indigenous people, non-governmental organizations, local authorities, workers, business and industry, scientific and technological communities and farmers. To achieve the shifts in consumption patterns and industrial processes implied by the principles in Article 3 of the Convention and the commitments in Article 4 will require a radical transformation in values and a considerable increase in sensitivity to the relevance of daily activity to the larger objectives. This revolution can hardly be achieved without the participation and support of the major groups. Some may play a more direct role in climate change issues than others.

25. While organizations representing such groups are numerous, some, including groups represented by business and industry, have already demonstrated interest in sustainable development and climate change issues through their participation in the UNCED process or the work of the Committee. Others have specifically been established to promote sustainable development. Some others implement or fund directly development projects. A number of groups play a watchdog role on the application of sustainability criteria in multilateral and bilateral assistance activities.

26. Such groups would be helpful partners in pursuing the climate change objective. They could be encouraged to support the intergovernmental process through the provision of information on their contributions to the implementation of the Convention, and by the

monitoring of activities. They could also support the implementation of the Convention by increasing the awareness and the responsiveness of their members to climate change concerns. In some cases, there may be merit in considering specific consultative arrangements between the COP and representatives of such a group.

Intra-governmental consistency and specificity

27. In achieving consistency with climate change objectives in the governance and operation of United Nations agencies, multilateral development banks, bilateral aid agencies and the major groups, the Parties must overcome a number of obstacles. First is the fact that none of these entities are directly responsible to the Parties. They have their own decision-making processes. Yet, except in the case of the major groups, governance comes from Governments, most of which are also Parties. Therefore, attention should be given to obtaining consistency in approach within the Governments of the Parties themselves. For example, a Party which is also a member of the OECD, the World Bank, the African Development Bank, UNDP and UNEP should be advancing the same points of view in each governing body where they are represented. A Party which obtains funding from multilateral development banks or bilateral aid agencies should be sure that, in its assistance management, project design supports climate change objectives. Only by achieving consistency within Governments will the policies of all the actors gradually be brought into harmony. Consideration should be given to including information on efforts for that purpose in national communications.

28. A second challenge is to articulate guidance to other actors in terms sufficiently specific to be monitored. For example, it may not be enough to urge development agencies to take into account climate change issues in their decision-making processes. Rather, it may be necessary to define minimum technical standards consistent with the state of the art and with development needs. These might be indicated, for example, in terms of emissions per unit of energy production or energy efficiency levels for various functions. Such standards would then become part of the development agency guidelines to be applied in environmental impact analysis and would find their way into the specifications used in tender documents. Agencies financing energy projects could establish and publish minimum standards. A transparent process of comparison would identify weak standards and lead to their reconsideration.